

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MEADE COUNTY RURAL)	
ELECTRIC COOPERATIVE CORPORATION TO)	CASE NO.
ADJUST ELECTRIC RATES)	2010-00222

COMMISSION STAFF'S SECOND INFORMATION REQUEST
TO MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

Pursuant to 807 KAR 5:001, Meade County Rural Electric Cooperative Corporation ("Meade") is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before September 29, 2010. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Meade shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

Meade fails or refuses to furnish all or part of the requested information, Meade shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the Application, paragraph No. 25. Meade states that it has not had a depreciation study performed with this application or at any time in the past. State whether Meade is familiar with the Commission's practice in recent years, for distribution cooperatives that have not had a recent study performed, of requiring that a depreciation study be performed as part of its final Orders in general rate cases.

2. Refer to revised Exhibit B filed on August 16, 2010.

a. Refer to pages 1 and 7 of 120. Explain why Meade is changing the minimum bill to be stated at a per-day rate.

b. Refer to pages 13 and 21 of 120. Both of these pages contain references to a Fuel Adjustment Clause at Schedule 10, an Environmental Surcharge at Schedule 11, and a Wholesale Power Cost Adjustment at Schedule 14. Schedule 10 is a Small Power and Cogeneration Tariff and Meade is proposing to delete Schedules 11 and 14 as part of this rate case. State whether Meade intended to delete these references on pages 13 and 21. If not, explain why they should remain in the tariff.

c. Refer to page 27 of 120, and the application at Exhibit E, page 3. Exhibit E, the Cable Television Attachments section, refers to two-party and three-party ground attachments. However, Exhibit B, page 27, refers to grounding and pedestal attachments. State whether Meade believes that the tariff should be updated to reflect the titles used in the public notice.

3. Refer to revised Exhibit C filed on August 16, 2010.

a. Refer to pages 10 and 13 of 135. A text change is being proposed under the "Minimum Monthly Charges" section for each of these tariffs. As proposed, the tariffs would state that the minimum charge shall be the highest of one of two options. One of those options as proposed is "[t]he minimum charge specified in this schedule." However, there is no minimum charge specified in either tariff. Provide the minimum charge amount referred to in this sentence for each of these tariffs.

b. Refer to page 105 of 135. Explain why Meade is proposing to delete the customer deposit criteria.

c. Refer to page 109 of 135. State whether Meade is proposing to delete the Meter Reading section because customers are no longer required to read their meters. If that is not the reason, explain why the section is being deleted.

d. Refer to page 111 of 135, section (d). Meade refers to a remote meter reading charge as a remote "Reconnect Charge" for "an automated meter reading (AMI)" and a "Disconnect Charge" for an "AMI reading."

(1) Explain why Meade is proposing to delete "Special Meter Reading Charge" as the identification of this section.

(2) Explain why a meter reading charge is described as either a reconnect or disconnect charge.

(3) Explain the difference between the two types of remote meter readings referenced in this section, one which requires a “reconnect charge” and the other which requires a “disconnect charge.”

(4) Provide the percentage of Meade’s meters read manually and the percentage read remotely each month.

4. Refer to Exhibit C of the application.

a. Refer to pages 15-17. These pages appear to have been included in the tariff to explain Schedule 3A, an optional time-of-day tariff. Page 15 states that the only difference in rates between Schedule 3 and 3A is that the customer charge for Schedule 3A has been increased to recover additional metering costs. Currently, the customer charge is \$34.70 for Schedule 3 and \$53.68 for Schedule 3A. As proposed, the customer charge would be \$60.47 for Schedule 3 and \$60.74 for Schedule 3A. Pages 16 and 17 appear to include calculations for the current customer charges for Schedules 3 and 3A.

(1) State whether Meade intended to delete or revise these pages.

(2) Explain why it is no longer necessary for there to be a difference in the customer charges for these schedules.

b. Refer to pages 34 and 35 of 135. These pages appear to be Cable Television Attachment (“CATV”) calculations. However, these pages match neither the

current nor the proposed CATV rates. State whether Meade intended to delete or revise these pages.

c. Refer to page 53 of 135, Schedule 11, Restitution Adjustment tariff. Provide an explanation of this tariff, state the number of customers being charged under this tariff, and explain why Meade is proposing to delete it.

5. Meade's current tariff includes a cogeneration standard contract and an emergency response plan which are not included in Meade's proposed tariff. State whether Meade intended to delete these documents from its tariff. If yes, provide the reasons for the deletions.

6. Refer to Exhibit H of the application, the Direct Testimony of James R. Adkins ("Adkins Testimony").

a. Refer to page 3 of the Adkins Testimony. Mr. Adkins references a report of the Kentucky Association of Electric Cooperatives, "Final Report to the Kentucky Association of Electric Cooperatives PSC Study Committee Standard Filing Procedures and Financial Criteria for Distribution Cooperatives." Provide a copy of the referenced report.

b. State whether Mr. Adkins is aware of any rate cases before this Commission where the proposed equity level methodology submitted by Meade has been proposed by an electric distribution cooperative.

c. Refer to Exhibit JRA-1 of the Adkins Testimony. Provide the work papers, spreadsheets, reference materials, etc. as well as a narrative explanation of how the calculations were determined.

7. Refer to the Adkins Testimony and Schedule R, pages 19-21 of 41.

a. On page 8 of his testimony, Mr. Adkins states that the minimum-size method was used for Account 365, Overhead Conductor; and that the zero-intercept method was used for Accounts 364, Poles, and Account 368, Transformers. However, pages 19-21 of Schedule R indicate that the zero-intercept method was also used for Account 365. Confirm that this is correct or state where in Schedule R the minimum-size method is shown for Account 365.

b. Refer to page 12 at which Mr. Adkins states that Meade proposes to increase the pole rental charge from \$0.25 to \$1, an increase of 300 percent.

(1) Explain how an increase of this magnitude is consistent with the principle of gradualism.

(2) Provide the number of customers that would be affected by this increase.

c. Refer to page 13 at which Mr. Adkins states that “[t]he amount of the increase in the customer charge probably does not meet the gradualism criterion.” State the customer charges to which Mr. Adkins is referring and whether Mr. Adkins believes the proposed increases in the customer charges are reasonable.

8. Refer to Exhibit J of the Application.

a. Refer to page 1 of 6. Meade’s tariff includes Schedule 4, Large Power Service 1,000 KVA and Larger TOD, which does not appear in the revenue analysis. Confirm that there are no customers taking service under this tariff.

b. Meade has a tariff rider for Renewable Resource Energy--Schedule 16. State the number of customers on this rider, the amount of revenues received during the test year, and the account in which this revenue is recorded.

c. Refer to page 4 of 6. Provide an explanation for the "Contract facility" revenue of \$25,121 shown on this page.

d. Refer to page 6 of 6.

(1) Refer to the eighth light listed on the page. This schedule shows the current and proposed rate for the 400 MV--Unmetered, Pole Rental to be \$9.81 and \$9.80, respectively. Provide the location of the current rate in Meade's current tariff and the proposed rate in the proposed tariff.

(2) Refer to the ninth light listed on the page. This schedule shows the current and proposed rate for the 400 MV--Flood Light to be \$8.81 and \$9.80, respectively. Provide the location of the current rate in Meade's current tariff and the proposed rate in the proposed tariff.

9. Provide a copy of Exhibits J and R electronically on CD-ROM in Microsoft Excel format with all formulas intact and unprotected.

10. Refer to Exhibit K of the application.

a. Refer to page 2 of 7. The amount for Materials has increased 263 percent from March 2009 to January 2010. Provide an explanation for this level of increase.

b. Refer to page 4 of 7. Provide an explanation for the magnitude of the amount of Materials and Supplies in the calendar year 2009 of \$16,690,857.

11. Refer to Exhibit R, page 8 of 41.

a. Account 935, Maintenance of General Plant, is shown as having been allocated using the General Plant percentages from the Rate Base Schedule. However, the allocation appears to be based on Rate Base percentages from the Rate

Base Schedule. Confirm that Rate Base percentages were incorrectly used. Provide the effect that a correction would have on the results of the cost-of-service study ("COSS").

b. Depreciation - Distribution Plant and Depreciation - General Plant are shown as having been allocated using the Net Plant percentages from the Rate Base Schedule. However, the allocation for Depreciation - Distribution Plant appears to be based on the Distribution Plant percentages, and Depreciation - General Plant appears to be based on the General Plant percentages from the Rate Base Schedule. Confirm that Meade intended to use these allocation percentages. If not, and a correction is needed, provide copies of all exhibits that would be revised as a result of the correction.

12. Refer to Exhibit R, page 9 of 41, footnote 6 at the bottom of the page.

a. The first number under the Total column, \$16,129,440 appears to be the total of Overhead Conductors and Devices rather than Poles, Towers and Fixtures as labeled. Confirm that this total is mislabeled.

b. The second number under the Total column, \$1,894,878, appears to be the total of Underground Conductor rather than Overhead Conductors as labeled. Confirm that this total is mislabeled.

c. Explain where in the COSS the allocations calculated in footnote 6 are used.

13. Refer to Exhibit R, page 11 of 41. Explain how the "General Plant" allocation percentages were calculated.

14. Refer to Exhibit R, pages 29 and 30 of 41.

a. Refer to the Transformers table at the bottom of page 29. The amounts in the Relative Weight column do not equal column 3 multiplied by column 4 for rates 3R and 3A. Explain how the amounts in this column were calculated. If a correction is needed, provide the effect a correction would have on the results of the COSS.

b. Refer to the Services table at the top of page 30. The amounts in the Cost of Service column do not equal column 2 multiplied by column 3 for rates 3R and 3A. Explain how the amounts in this column were calculated. If a correction is needed, provide the effect a correction would have on the results of the COSS.

15. Refer to Exhibit R, page 32 and 41 of 41. Explain the origin of the \$893,370 shown as Revenue from Rates for the Lighting class.

16. Refer to Exhibit R, pages 39 and 40 of 41 in which Meade calculates proposed customer charges. Provide the calculation for the customer charges if all customer-related costs were recovered through the customer charges.

17. Refer to Exhibit R, page 40 of 41. Can the amounts shown as Transformer Investment for the three levels of KVA be found in the COSS? If yes, provide the location of the amounts. If no, explain.

18. Refer to Exhibit S, page 1, which shows the amount of the proposed increase based on attaining a Times Interest Earned Ratio ("TIER") of 2.32X.

a. Describe how Meade determined that 2.32X was the appropriate TIER on which to base its requested increase.

b. Is Meade aware of any studies performed by the Rural Utilities Service ("RUS") or the National Rural Utilities Cooperative Finance Corporation on the

subject of the appropriate TIER level for an electric distribution cooperative? If yes, identify the studies and when they were performed.

c. Meade's request in this case for a 2.32X TIER would produce net margins of roughly \$3.2 million. For each of the five calendar years immediately preceding the test year, provide the approximate net margins that would have been realized if Meade had achieved a TIER of 2.32X.

19. Refer to Exhibit X of the application, which provides a comparison of income statement account levels for the test period and the 12 months immediately preceding the test period.

a. Refer to page 3. Provide an explanation of how costs are assigned to Accounts 417.101 through 417.114, Expenses-Wildblue.

b. Refer to page 9. Provide a detailed breakdown of Accounts 451 and 454, Miscellaneous Service Revenue and Rent from Electric Property.

c. For Account 451 and 454, provide the March 31 balances for the most recent five-year period.

d. Page 11 shows that Account 580.000, Operation-Supervision & Engineering, increased from \$287,254 in the 12 months preceding the test year to \$327,749 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

e. Page 11 shows that Account 583.00, Overhead Line Expense, increased from \$763,681 in the 12 months preceding the test year to \$849,400 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

f. Page 11 shows that Account 586.000, Meter Expense, increased from \$217,494 in the 12 months preceding the test year to \$295,401 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

g. Page 13 shows that Account 588.000, Misc Distribution Expense, increased from \$455,966 in the 12 months preceding the test year to \$641,545 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

h. Page 13 shows that Account 590.000, Maintenance-Supervision & Engineering, increased from \$308,314 in the 12 months preceding the test year to \$351,958 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

i. Page 15 shows that Account 593.100, Maintenance, increased from \$825,911 in the 12 months preceding the test year to \$970,332 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

j. Page 15 shows that Account 593.400, Maintenance-Service Orders, increased from \$188,479 in the 12 months preceding the test year to \$292,475 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

k. Page 17 shows that Account 902.100, Special Meter Reading Expenses, decreased from \$141,991 in the 12 months preceding the test year to \$57,181 in the test year. Provide a detailed explanation for why this expense decreased by this magnitude.

l. Page 17 shows that Account 903.000, Customer Records & Collections Exp, increased from \$212,120 in the 12 months preceding the test year to \$281,907 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

m. Refer to pages 17 and 19, Accounts 903.201 through 903.210. Provide an explanation why there is only activity in these accounts for the ninth month. Explain the purpose of these added accounts.

n. Refer to pages 19 and 21, Accounts 903.301 through 903.305. Provide an explanation why there is only activity in these accounts for the ninth month. Explain the purpose of these added accounts.

o. Refer to page 21, Accounts 903.501 through 903.507. Provide an explanation why there is only activity in these accounts for the ninth month. Explain the purpose of these added accounts.

p. Refer to page 23, Accounts 903.601 through 903.607. Provide an explanation why there is only activity in these accounts for the ninth month. Explain the purpose of these added accounts.

q. Page 23 shows that Account 910.000, Misc Customer Serv & Inform Exp, increased from \$58,992 in the 12 months preceding the test year to \$71,486 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

r. Page 28 shows that Account 920.000, Administrative & General Salaries, increased from \$379,264 in the 12 months preceding the test year to \$443,222

in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

s. Page 33 shows that Account 930.200, Misc General Exp, increased from \$138,866 in the 12 months preceding the test year to \$166,954 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

t. Page 33 shows that Account 930.300, Misc General Exp-Directors Fee Expense, decreased from \$109,323 in the 12 months preceding the test year to \$96,882 in the test year. Provide a detailed explanation for why this expense decreased by this magnitude.

u. Page 33 shows that Account 935.000, Maintenance of General Property, decreased from \$143,468 in the 12 months preceding the test year to \$110,607 in the test year. Provide a detailed explanation for why this expense decreased by this magnitude.

20. Refer to Exhibit 1, page 1 of the application. Meade states that employees may elect to be paid for up to 12 days for unused sick time and 5 days of unused vacation time. Provide a copy of Meade's policy for paying unused sick and vacation days.

21. Refer to Exhibit 1, page 1. Meade states that wage increases are granted on November 1 of each year and there was no salary increase during the test year. State whether the Board of Directors has determined or granted a salary increase for the upcoming November 1 date for the current year.

22. Refer to Exhibit 1, page 3 through 5 of the application.

a. If an employee worked 2,080 regular hours during the test period, explain why the employee would also have payments for vacation/sick leave and why those payments should be included in normalized wages.

b. For each employee listed in Table 1 below, explain in detail why they worked less than 2,080 hours in the test period.

Table 1		
	Employee No.	Regular Hours
(1)	154	1,970.5
(2)	167	2,072
(3)	173	1,693.5
(4)	184	1,840
(5)	186	633

c. Explain why 2,080 hours was used in calculating normalized wages rather than the actual hours worked during the test period.

d. Provide an update of any additional labor costs incurred subsequent to the end of the test year. Provide an explanation for the reason for the changes and update Exhibit 1, page 3 through 5, for these changes as of August 31, 2010.

23. Refer to Exhibit 3, page 2, of the application, which shows the test-year actual and normalized total depreciation expense and the test-year actual and normalized depreciation expense charged to transportation clearing. Provide the same information for each of the calendar years 2000 to 2009.

24. Refer to Exhibit 3, page 4, of the application, which shows distribution plant in service, accumulated depreciation for distribution plant, and the reserve ratio percentages for distribution plant for each of the years 1995 through 1999 and 2005 through 2008. Provide the same information as of the end of the test year and for the years from 2000 through 2004.

25. Refer to Exhibit 5, page 2. This is a schedule of Meade's outstanding long-term debt.

a. Provide an update of the schedule on pages 2 and 3 that reflects the current interest rates for long-term debt applied to the long-term debt balances as of the end of the proposed test year.

b. Provide an explanation for the variance between the annualized interest expense and the test-year interest costs for RUS loan numbers B323, B324, B325 and B326.

26. Refer to Exhibit 7, page 1. Meade states that the retirement and security ("R&S") contribution rate is determined by the National Rural Electric Cooperative Association. Provide a copy of the documentation supporting the R&S rate of 28.78 percent used for the proposed adjustment to pension benefits.

27. Refer to Exhibit 12 of the application, where Meade estimates the expenses associated with this rate case. On a monthly basis, beginning in April 2009, provide the amount of Meade's actual rate case expenses, by category, as was done in the estimate. Consider this an ongoing request which is to be updated monthly.

28. Refer to Exhibit 13.

a. Refer to page 1 of 3. The existing rates for the three-party anchor attachment and three-party ground attachment are shown as \$4.72 and \$.15, respectively. The amounts in Meade's current tariff are \$3.74 and \$.17, respectively. Explain the discrepancy between the rates shown on this page and those in Meade's tariff.

b. Refer to page 2 of 3.

(1) Provide all documents and workpapers supporting the pole sizes and costs used in the calculation of the weighted average costs. Include in the response whether the gross investment costs shown on this page are gross or net.

(2) Explain why it is reasonable for a three-party pole attachment to be higher than a two-party pole attachment. Include in the response the calculation of the present rates which resulted in a lower charge for the three-party pole attachment.

c. Refer to page 3 of 3 wherein the rate of return used in the CATV calculation is shown as 6.47 percent.

(1) State where in the Order in Meade's most recent general rate case the 6.47 percent rate of return is shown.

(2) Provide a revised Exhibit 13 using the rate of return proposed in this case.

d. Identify the parties who currently have attachments on Meade's poles.

29. Refer to Exhibit 14 of the application.

a. Refer to page 1 of 6. The existing rate for Temporary Service is shown as \$35.00. However, Meade's tariff shows the amount to be \$60. Explain the discrepancy between the rate shown on this page and Meade's tariff.

b. Refer to page 2 of 6. At the bottom of the page, under "Other Direct Costs", explain why it is appropriate to divide the annual cost per employee by 1,784 hours rather than 2,080 hours.

c. Refer to page 3 of 6.

(1) Provide justification for the 240 minutes of serviceman time and 45 minutes of clerical time for the Tampering charge.

(2) Given that the hourly rate used to calculate the “Direct Labor Charge” for the nonrecurring charges consists of both the 85.77 percent actual hours worked and 14.23 percent non-working hours (as calculated by Meade on page 2 of 6), explain why it is appropriate to also include the “Direct Wage Expense” which is calculated using the 14.23 percent non-working hours (i.e., explain how the 14.23 percent is not included twice).

30. State whether the Special Meter Reading Charge will always be in reference to a remote meter reading. If so, provide justification for the time incurred by the service man and office clerk.

31. State whether Meade has made any recent changes in the accounting for the following items:

- a. Recognition of income and expense;
- b. Capitalization thresholds for assets;
- c. Expensing of costs; and
- d. Prepayments

32. In the September 1, 2010 issue of *Energy Finance Daily*, it was reported that Meade received an \$18.6 million loan from United States Department of Agriculture for work on its distribution system.

a. Describe in detail and provide quantification of the impact(s) this loan has on the financial assumptions put forward in this rate case.

- b. Provide the date the loan proceeds were received and the terms of the loan.
- c. Describe in detail how Meade will use the proceeds from this loan.
- d. Does Meade plan to use any of these funds or any other funds for the development of smart meter or smart grid technology? If so, describe these plans in detail.



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DATED: SEP 10 2010

cc: Parties of Record

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